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E.O. 12958: DNG: CO 04/25/2033

TAGS: [PGOV](#) [PREL](#) [PM](#)

SUBJECT: PANAMA POST: THE PANAMA WATCHERS' SPECIAL EDITION,
9TH EDITION, VOLUME II

Classified By: POLCOUNS Brian R. Naranjo. Reasons: 1.4 (B),
(C), and
(D).

Summary

11. (S/NF) The April 18 to 25 visit by two seasoned USG Panama watchers provided a welcome opportunity to do a "deep dive" on Panama's domestic political scene. Meeting with political leaders and advisors from across the political spectrum, these analysts not only had an opportunity to ascertain the veracity of the Panama Post's senior editor, but also to get some first hand experience with key movers and shakers on Panama's political scene. In this edition, we recap these meetings as well as share additional political developments:

- Democratic Change President and presidential contender Ricardo Martinelli "plummeted in the polls," governing Revolutionary Democratic Party (PRD) presidential nomination candidate Balbina Herrera takes lead;
- Panamenista presidential nomination candidates Alberto Vallarino and Juan Carlos Varela are each fully confident of a primary victory -- somebody's wrong;
- PRD presidential nomination candidates Balbina Herrera and Juan Carlos Navarro relieved that PRD primary to be held August 17;
- Newly elected governing PRD National Executive Committee (CEN) Fifth Sub-Secretary Rod Diaz dishes on possible Torrijos political musings;
- Consensus is that National Assembly President Pedro Miguel Gonzalez (PMG), still wanted on a federal indictment for the 1992 murder of a U.S. serviceman, will not run for re-election;
- PRD Women's leader nervous about Herrera; and
- PRD National Assembly Deputy explains how he is financing his campaign.

End summary.

New Poll: Herrera Takes Lead, Martinelli Trails

12. (C) CD President and presidential candidate Ricardo Martinelli "plummeted in the polls," falling by six points, Martinelli political advisor Jimmy Papadimitriu told POLCOUNS on April 17. Gleeful on April 17 at the polling results to be published, the normally laconic PRD National Assembly

Deputy and close Herrera confidant Hector Aleman said, "It's Balbina's time. She's the leader for this moment in history. People are looking for a leader who can bring opportunity to those who have not benefited socially or economically from Panama's growth to date."

13. (U) Sure enough, published partially on April 21 in Panama City broadsheet daily La Prensa, Dichter and Neira's poll showed PRD presidential nomination candidate Balbina Herrera jumping by 3.5 percent to 25.1 percent in April from 21.6 percent in February. Over the same two month period, Martinelli fell 4.8 percent from 26.3 percent in February to 20.3 percent in April. PRD presidential nomination candidate Juan Carlos Navarro essentially remained static -- 13.3 percent in February and 13.2 percent in April. Both Panamenista presidential nomination candidates Alberto Vallarino and Juan Carlos Navarro hit 6.5 percent in April rising 0.7 percent and 1.3 percent respectably over their February poll numbers. Moral Vanguard of the Nation (VMP) presidential candidate -- and former president -- Guillermo Endara tanked falling from 7.1 percent in February to 1.6 percent in April. Similarly, meager support for possible PRD presidential nomination candidate -- and former president -- Ernesto "El Toro" Perez Balladares evaporated as he slid from 2.8 percent support in February to 0.0 percent in April.

14. (C) "Not good news," Papadimitriu said of the poll on April 18, "but at least it makes Martinelli listen." Subsequently on April 19, Papadimitriu said that the Martinelli campaign would "go dark" for at least a week. "I'll pull together the surrogates to try to get them under control," Papadimitriu said after POLCOUNS asked about CD SecGen Ricardo Quijano's assertion to the press that Martinelli would not accept less than top billing in an opposition alliance. "It's too early to be talking about that. We need to show that we are different and new. Alliance talk and blather on radio and TV does not help." Martinelli announced to the press on April 21 that his formal campaign launch was set for May 10.

15. (C) Meanwhile, Navarro attempted to spin the results by asserting that he was running much closer to Herrera among PRD party members. Separately, Navarro supporter National Assembly Deputy Miguel "Mickey" Aleman, who represents the voter rich municipality of San Miguelito just outside Panama City, told the Panama Post on April 18, "Our internal polls show that in San Miguelito across all parties Balbina is beating Navarro 3 to 1, but within the party Balbina leads Navarro by 2 to 1." Navarro needed to bring those numbers down to even in San Miguelito if he was to be a viable candidate nationally against Herrera.

16. (C) Comment: Perhaps most interestingly, the number of respondents who did not know or did not respond nearly doubled from 13.4 percent in February to 24.7 percent in April. Many political observers had previously predicted that formal campaign launches would result in more undecided voters making their minds up and declaring support for individual candidates. Instead, quite the opposite has happened: not only have voters remained on the fence, but it appears that many have joined them. Unhappy with the results of the poll, some political surrogates sought to impugn the poll by suggesting that Herrera had a business relationship with Dichter and Neira that skewed the results. Don't believe the hype: Dichter and Neira remains the most serious and independent pollster in Panama, and it is not surprising that Herrera, or any other serious politician, had a business relationship with this outfit. Last February, when Martinelli still held a commanding lead, the rumor was flying around that since Martinelli used Dichter and Neira for consumer polls for his Super99 supermarket chain that Martinelli's lead was suspect. Valiantly, Navarro strove to assert that his own private polls of PRD faithful showed him leading Herrera by a "short margin," as described by Navarro aide Ivan Gonzalez to our itinerant analysts on April 17. Repeated requests to see Navarro's internal polling have fallen on deaf ears. "

"I'm winning." "No, I'm winning" Vallarino and Varela

¶17. (C) Panamenista presidential nomination candidate Juan Carlos Varela's advisors Meliton Arrocha and his brother Jose Luis "Popi" Varela asserted on April 15 that Varela was handily leading in the Panamenista internal race. Similarly, fellow Panamenista contender Alberto Vallarino asserted on April 17 that he was handily leading in this internal race. While Varela focused on trying to build the "framework" for an alliance by sitting down with Patriotic Union (UP)'s Billy Ford on April 15, Vallarino asserted that supporters of also-ran Panamenista presidential nomination candidate Marco Ameglio were migrating his way and that it would not be possible to form an alliance until after the July 6 Panamenista primary.

¶18. (C) Comment: Obviously, somebody is wrong. The Panama Post simply does not know whether it is Varela or Vallarino. Neither seems to be conducting any serious internal party polling -- indeed both argue that it is impossible to poll Panamenistas accurately given their aversion to declaring to pollsters their party affiliation, an aversion allegedly ingrained by years of opposition to military dictatorship and the PRD. Unfortunately, the Dichter and Neira sheds no light in its nationwide poll either. The Panama Post will continue to try to unravel this mystery.

PRD Primary: August 17

¶19. (C) The PRD CEN had decided informally that its primary would be held on August 17, PRD CEN members Rod Diaz, Hector Aleman, and Elias Castillo all separately confirmed. Navarro political advisor Ivan Gonzalez and Herrera political ally Hector Aleman separately expressed their relief that an August date had been chosen as neither wanted a long, expensive, and drawn-out internal campaign. Rumors that the primary might be pushed off until October had caused significant anxiety in both camps.

¶10. (C) "I do not want to be her campaign manager," Aleman told the Panama Post on April 17. Herrera though needed to set up a real campaign organization and build some structure around here, Aleman said. (Note: Later the same day, Herrera announced that Hugo Torrijos, President Torrijos' uncle, would be her campaign manager.) Noting that Torrijos had "thin skin, like a baby," Aleman acknowledged that one of the toughest things for Herrera would be campaigning on the basis of continuity with the PRD's and Torrijos Administration's initiatives while also differentiating Herrera from Torrijos. "We'll try to celebrate the good things while explaining what can be done better and how. We learned a lot from the 1999 campaign that Torrijos lost in large part due to El Toro's own inability to suffer criticism," Aleman asserted. "Balbina will position herself like Omar Torrijos: 'Neither of the left, nor of the right.'"

¶11. (C) As for Navarro, Gonzalez said on April 17 that the mayor was conducting daily focus groups in an effort to fine tune his message. Also, Gonzalez said that Navarro had not heard the response from First Lady Vivian Fernandez de Torrijos regarding Navarro's offer of the vice presidential slot to her. Desiring Torrijos to show support for Navarro, Gonzalez said, "Torrijos should do what (former President Mireya) Moscoso did the other day (declaring her support for Vallarino). He should openly and publicly support Navarro."

¶12. (C) Disenchantment with Navarro's tactics also begun to grow, PRD CEN Fifth Sub-Secretary Rodrigo "Rod" Diaz. "He's running a very dirty campaign." Navarro's team got caught supporting a bogus anti-Balbina blog aimed at reminding voters of her radical past and ties to former dictator Manuel Noriega. Also, PRD local leaders who signed resolutions supporting Navarro months ago were displeased at the mayor's publication of these statements now to indicate broad support

for him as Herrera was not an option at the time the statements were prepared. Finally, Navarro was believed to have leaked the story that his cousin, 1st VP and FM Samuel Lewis, had met with notorious drug trafficker Urrego to discuss purchasing an island owned by Urrego in an effort to keep Lewis from seeking the PRD nomination. Additionally, Navarro was widely believed to have leaked the story of then-PRD SecGen Martin Torrijos' contract with the government of the Dominican Republic. Allegedly Navarro sourced the Urrego story to Torrijos' camp followers and the DR story to Lewis loyalists.

¶13. (C) Comment: Navarro's efforts to suffocate Herrera's campaign in the crib have failed. Herrera -- despite only minimal media exposure and advertising, no campaign structure, and limited financial resources -- easily outpaces Navarro in the polls. Navarro's throw-everything-at-her strategy may come at a high cost as negative reaction to his tactics grows within the PRD ranks. A tenacious and combative politician, Navarro is unlikely to throw the towel in any time soon. As for Herrera, she can not rest on her laurels, but must put in place the machinery to sustain her lead and build upon it. She faces an uphill battle convincing professionals and elites to place their trust in her or at least to not actively oppose her. Appointment of Hugo Torrijos, whose name persistently crops up in public and in private in connection with shady deals and corrupt activities, is not a good sign of the kinds of people that Herrera may wish to empower. Though he wrongly predicted on April 16 that Herrera would name Mitchell Doens her campaign advisor, PRD CEN Fifth Sub-Secretary Rodrigo "Rod" Diaz may be correct that alleged corrupt "deal facilitator" and close Torrijos confidant Pille Gonzalez would serve as Herrera's "enforcer" on her campaign.

PRD CEN Newcomer Dishes

¶14. (C) Possibly presaging a growing bandwagon effect, newly elected PRD CEN Fifth Sub-Secretary Rodrigo "Rod" Diaz asserted on April 16 that increasingly PRD leaders, including himself, were supporting Herrera's presidential run. Diaz asserted that Torrijos sought to maintain the "third candidate option" (most likely Lewis) to maintain leverage over Herrera and Navarro in an effort to keep the PRD internal campaign civil. He also suggested that Torrijos could "disqualify" Navarro by simply stepping aside for a brief period giving Lewis presidential powers temporarily. Under Panama's constitution, Diaz explained, Navarro, a "first order relative" (a first cousin) of Lewis, would be prohibited from seeking election for ten years. Finally, Diaz asserted that Torrijos was prepared to act "decisively" to quell any Navarro-Herrera bickering that got out of hand.

¶15. (C) "I'll be focusing on the PRD's youth activities," Diaz said. Panama City Councilman Carlos Perez-Herrera would be the PRD Youth Secretary. "We're going to facilitate a comprehensive youth outreach effort to develop platform issues for the eventual presidential candidate." Also, Diaz said he would be launching a "Vision of Omar" effort to inculcate PRD youth in the ideology of the party's founder. (Note: Diaz did not clarify how this effort would address the Noriega period, other than to say that it was an "aberration.") As part of this effort, Diaz said he purchased the entire 18,000 photo collection of pictures taken by a Mexican photographer of Omar Torrijos. "We'll use these photos to try to re-introduce and explain the legacy of Omar and what he means for PRD Youth."

¶16. (C) Finally, Diaz asserted that Torrijos would eventually back Herrera, but not before ensuring that there would be "continuity in the cabinet" to ensure that programs and initiatives initiated by Torrijos would continue to be carried out. For example, Diaz said that the USG should expect to see names like Alejandro "Andy" Ferrer, who recently resigned as Minister of Commerce and Industry, return to an Herrera cabinet. Reviewing a list of names

Herrera has floated as cabinet prospects, Diaz dismissed them all.

¶17. (C) Comment: Diaz, a close ally of Torrijos and Lewis, is clearly moving to back Herrera. While the ideas and ploys offered by Diaz strike the Panama Post as fanciful, they may shed some light on Torrijos' Walter Mitty-esque daydreaming. An indecisive leader who prefers to ponder and allow political developments to evolve in his direction, it is difficult to see Torrijos trying to force a third candidate (indeed, the prospect has little credibility on the street) or to be able to enforce a "continuity in the cabinet" pact with Herrera. Herrera grows stronger by the day while Torrijos enters the doldrums of his lame duck period.

PMG Will Not Run for Re-election

¶18. (C) The consensus view of the Panama Post's interlocutors over the past week to ten days was that National Assembly President -- and U.S. fugitive under indictment in connection with the 1992 murder of a U.S. serviceman -- Pedro Miguel Gonzalez (PMG) would not/not run for re-election as the legislature's president. Separately, three PRD CEN members -- Diaz, Aleman, and National Assembly Deputy (and PMG's predecessor) Elias Castillo -- all confirmed that CEN members, including PMG, discussed PMG's re-election and concurred that PMG should not/not run again. Panamenista National Assembly Deputy Francisco "Pancho" Aleman, Vallarino's campaign manager, stated that he believed that PMG would not run again, but rather would focus on his re-election for his National Assembly seat. Vallarino was dismissive of the whole matter commenting that he "did not care" if the U.S.-Panama Trade Promotion Agreement (TPA) moved forward. "It's not good for Panama, so who cares if Pedro Miguel runs or does not run for re-election," Vallarino said. Varela-istas, Arrocha and "Popi" Varela said they believed PMG would stay away from re-election, and Navarro's aide Gonzalez said he believed PMG would not run. Additionally Castillo told POLOFF that he would run for Mayor of Panama in part to keep PMG out of that race.

¶19. (C) Comment: The Panama Post is heartened by the news that PMG is not going to run for re-election, but we are not prepared to place bets that PMG will not once again run for and win the legislatures presidency. We will continue to monitor.

PRD Women's Leader Nervous About Herrera

¶20. (C) PRD member and the head of the inter-party Forum of Women in Political Parties Irasemada Ahumada expressed her "deep concern" to the Panama Post about what was going on in the PRD and "what could happen in Panama." "I don't like either one of our current candidates (Herrera or Navarro). They are both the same type of politician: they talk a lot, make a lot of promises, but have no substance," she explained. "I support Navarro because he is my boss and I would be fired if I didn't, but at least I know that he is not getting money from Chavez. What is going to happen if Balbina wins?" De Ahumada asserted that it was "widely known at all levels in the party" that candidates who support Herrera would receive money that originated with pro-Chavez Panamanian Ambassador to Venezuela Ballesteros and that was channeled through Hector Aleman. "Please pass on to the Ambassador that many PRD members are concerned," De Ahumada said. She added that most party members were not leftist or anti-American.

¶21. (C) Turning to "consular commissions," De Ahumada stated that now that former Minister of the Presidency Ubaldino Real had left government, Rod Diaz was responsible for divvying up the "consular commissions" that Panamanian Consul Generals sent back to Panama City. (Note: Under Panamanian law and regulation, Consul Generals are entitled to ten percent of

the consular fees collected by their missions. There is a long tradition by Panamanian Presidents of requesting a cut of this entitlement in exchange for having been named to these lucrative positions.) Allegedly, Diaz writes checks for PRD campaigns off an account at Banvivienda that is part of the Grupo Mundial conglomerate of which Diaz is CEO.

¶22. (C) De Ahumada asserted that the Cuban Embassy was playing a key role in facilitating communication between members of the PRD's left-wing "Tendency (Tendencia)" faction, who were not on speaking terms, and the Venezuelan government for financial support. De Ahumada referred to this policy as "triangulation." Allegedly, the Cubans were capitalizing on their long-standing ties with various "Tendency" PRD members. De Ahumada added that she had run into a Cuban Embassy officer at the grocery store. She stated that this Cuban official, believing De Ahumada to be an Herrera supporter, said, "We have to support the (female) comrade because she is the one who can break the ties to the oligarchy."

¶23. (C) Comment: Rumors of Venezuelan money making its way into Herrera's pockets have been rampant in recent weeks in Panama City. As of yet, the Panama Post has no confirmable reports. The most common rumor has been that Herrera ally Hector Aleman enters into oil deals with Venezuelan counterparts and then re-directs a portion of the profits to Herrera. The new twist in the rumor is that the Panamanian Ambassador in Caracas, a known Chavez sympathizer, is channeling Venezuelan money to Herrera. Despite the absence of proof, Panama's chattering class and elite are convinced that a Venezuela-Herrera tie is a financial reality. For his party, Hector Aleman asserted he was not receiving or passing Venezuelan money, asking rhetorically, "They think I'm more leftist than Chavez. How am I supposed to fight this rumor? Balbina doesn't need Chavez's money; she's already leading the polls." The Panama Post will continue to monitor this issue.

Financing one PRD National Assembly Deputy's Campaign

¶24. (C) "I should be spending around USD 80,000 between now and August to win for re-election in the PRD primary," PRD National Assembly Deputy Miguel "Mickey" Aleman told the Panama Post's correspondent on April 18. PRD CEN Member "Rod Diaz gave me USD 10,000 already and promised me USD 20-30,000 more. My uncle is giving me another USD 20,000 and bought me a sound van." Through the Social Investment Fund (FIS), a pool of money controlled by the Ministry of the Presidency, "Torrijos is giving me around USD 5,000 in T-shirts and caps." Asked was it not illegal to redirect FIS monies for partisan political purposes, Aleman said, "The bill will show that they were for 'sports uniforms.' Don't think that I am the only one getting this kind of help. Many others are too." EATON